

Please note: These minutes are yet to be confirmed as a true record of proceedings

CITY OF BUSSELTON

MINUTES FOR THE FINANCE COMMITTEE MEETING HELD ON 25 JULY 2019

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MINUTES

MINUTES OF FINANCE COMMITTEE HELD IN THE COMMITTEE ROOM, ADMINISTRATION BUILDING, SOUTHERN DRIVE, BUSSELTON, ON 25 JULY 2019 AT 9.30AM.

1. DECLARATION OF OPENING AND ANNOUNCEMENT OF VISITORS

The Presiding Member opened the meeting at 9.31am

2. ATTENDANCE

Presiding Member:

Cr Robert Reekie

Members:

Cr Coralie Tarbotton
Cr John McCallum
Cr Paul Carter (remote)
Cr Ross Paine (deputy)

Officers:

Mr Tony Nottle, Director, Finance and Corporate Services
Mr Oliver Darby, Director, Engineering and Works Services
Mr Mark Wong, Manager, Waste and Fleet Services
Mr Jeffrey Corker, Manager, Financial Services
Miss Lisa Haste, Executive Assistant to Council, Governance
Miss Melissa Egan, Governance Officer, Governance

Apologies:

Cr Grant Henley

3. PUBLIC QUESTION TIME

4. DISCLOSURE OF INTERESTS

Nil

5. CONFIRMATION OF MINUTES

5.1 Minutes of the Finance Committee Meeting held 20 June 2019

COMMITTEE DECISION

F1907/034

Moved Councillor J McCallum, seconded Councillor C Tarbotton

That the Minutes of the Finance Committee Meeting held 20 June 2019 be confirmed as a true and correct record.

CARRIED 5/0

9.40am Mr Oliver Darby, Director, Engineering and Works Services and Mr Mark Wong, Manager, Waste and Fleet Services entered the meeting

6. REPORTS

6.1 INSURANCE FOR THE BUSSELTON JETTY

SUBJECT INDEX:	Financial Management - Insurance Policies
STRATEGIC OBJECTIVE:	Assets are well maintained and responsibly managed.
BUSINESS UNIT:	Finance and Corporate Services
ACTIVITY UNIT:	Finance and Corporate Services Support
REPORTING OFFICER:	Director Finance and Corporate Services - Tony Nottle
AUTHORISING OFFICER:	Director Finance and Corporate Services - Tony Nottle
VOTING REQUIREMENT:	Simple Majority
ATTACHMENTS:	Nil

PRÉCIS

The Finance Committee is requested to acknowledge this report on a recent quotation for insurance options for the Busselton Jetty. Due to the concern around limited coverage from “actions by the sea” and the actual costs of premiums and excess, City staff have continued with the status quo to “self-insure” the Busselton Jetty.

BACKGROUND

The City currently has a license agreement with the Department of Transport dated October 2009 for the construction and operation of the Busselton Jetty. Clause 11.2(b)(ii) of the agreement states:

“To the extent that it is commercially practical to do so and to the level of cover that is commercially realistic by reference to the funding and resources available, the Licensee will take out an appropriate insurance policy to the replacement or reinstatement of the Busselton Jetty against the Insured Risks to commence on the Date of Practical Completion of the refurbishment works...”

In June 2012, the City sought consideration by the DoT that the City “self-insure” the Jetty due to the fact that insurance options still did not cover adequately for damage caused by water through action by the sea, tidal wave or high water. Quotations that were received indicated an extremely high excess (up to \$6,000,000). The DoT responded in August 2012 advising that this would be acceptable. They also requested that they continue to be advised on future progress on the insurance situation.

Council considered a report specifically on the insurance of the Busselton Jetty in May 2013 and resolved (C1306/158):

That the Council:

- 1. seeks approval for self-insurance of the Jetty from the Department of Transport that includes an annual contribution to the Jetty Maintenance Reserve for that purpose.*
- 2. includes in the 2013/14 budget an allocation of \$60,000 to the Jetty Maintenance Reserve with an annual CPI incremental increase for the purposes of self-insuring the jetty.*
- 3. adds the Busselton Jetty to the City’s insurance scheme and seeks a formal valuation of the structure in the event that the Department of Transport rejects the City’s proposal for self-insurance and uses the budget allocation for self-insurance for insurance premiums.*

The DoT agreed to the then Shire’s requests as per points 1 and 2.

In May 2014, the City sent correspondence to the Department of Transport notifying them that after seeking advice through its insurance broker, the City did not consider that it was commercially practical to take out an insurance policy for the replacement or the reinstatement of the Busselton Jetty.

As such the City has continued to allocate approximately \$60,000 per annum to the Busselton Jetty Insurance Reserve to insure against damage, rather than sign up to a specific policy.

The City has, over a number of years, continued to test the market via Local Government Insurance Services (LGIS), the results of which have shown that it has not been commercially viable to insure the jetty via means other than the status quo. City staff have once again requested LGIS to investigate the private market and consider an insurance policy for the Busselton Jetty.

STATUTORY ENVIRONMENT

The City of Busselton has a license for the erection, construction and maintenance for the Busselton Jetty from the DoT under section 7 of the *Jetties Act 1926*. The Jetty is constructed on Reserve 46715 which is Crown land reserved under section 41 of the *Land Administration Act 1997* for the purposes of "Recreation, Tourism and Heritage Protection."

The *City of Busselton Jetties Local Law 2014* provides management and control of activities on the jetties as defined within the Local Law.

RELEVANT PLANS AND POLICIES

The Busselton Jetty is central to the Busselton Foreshore Masterplan.

FINANCIAL IMPLICATIONS

The most recent advice in relation to the insurance of the Busselton Jetty indicates that LGIS could insure the Jetty under the current Property Scheme under the following conditions, particularly due to the type of asset:

- Assuming the liability of the Jetty is approximately \$60,000,000 (subject to a valuation);
- Included under the City's property schedule (Property Scheme);
- Standard annual aggregate of \$1,000,000 per Jetty for action by the sea;
- Total limit on all assets claimed (including Jetty) for any 1 event would be \$5,000,000;
- Jetty would be fully covered for earthquake, fire, cyclone, lightening etc;
- Annual contribution to add the Busselton Jetty would be \$78,000 plus GST;
- Subject to a minimum deductible excess of \$250,000; and
- On a short term arrangement to be re-assessed next year.

In summary, the most that the City of Busselton could claim for damage to the Jetty from action by the sea would be \$1,000,000 with a deductible excess of \$250,000. The value of the Jetty is estimated at around \$50,000,000, noting an appropriate valuation would need to be obtained to clarify this.

If the Busselton Jetty was damaged due to actions by the sea, it is highly likely that other jetties such as Quindalup, Dolphin Road etc. would also be damaged, along with a large amount of coastal infrastructure. As the maximum amount for any one event is \$5,000,000, it is probable that the City could still be at financial risk.

The current balance as at 1 July 2019 for the Jetty Insurance Reserve is \$365,698.

LONG-TERM FINANCIAL PLAN IMPLICATIONS

The current LTFP allows for transfers of the amount of \$60,000 per annum (indexed) to the Busselton Jetty Insurance Reserve annually for the life of the plan. These funds are able to be used for repairs to the Jetty should damage occur.

STRATEGIC COMMUNITY OBJECTIVES

This proposal aligns with and supports the **Council's Key Goal Area 6** – 'Leadership' and more specifically **Community Objective 6.4** – 'Assets are well maintained and responsibly managed'.

RISK ASSESSMENT

An assessment of the potential implications of implementing the officer recommendation, that is to continue to self-insure the Jetty, has been undertaken using the City's risk assessment framework.

The insurance proposal provided by LGIS is not considered to be an adequate treatment for this risk, as it will not, for the reasons outlined in this report, provide coverage which would adequately safeguard the financial risk to the City of an "action by the sea".

As outlined in the officer comment section of this report there are other risks associated with possible damage to the Jetty, primarily due to fire or damage as a result of impact from a water borne vessel, and the City not being able to adequately cover the costs of such damage. The risk of this is rated as medium (of major consequence but rare in terms of likelihood), and is expected to reduce over time as the City's Jetty reserve balances grow.

CONSULTATION

Correspondence with LGIS in relation to insurance cover has taken place over a period of time.

OFFICER COMMENT

The Finance Committee and Council has previously been provided with similar reports in relation to insurance of the Busselton Jetty. Scenarios were considered historically around the areas of risk for possible damage. These risks included usual insurable risks such as fire and damage from water borne vessels.

In a report to Council in June 2013, officers outlined the worst case scenarios of these types of risks. The report stated:

"In relation to fire risk, officers consider that the risk of fire damage is limited to the timber sections at the start of the jetty (Section 1, which is 150m long) and up to the Underwater Observatory (Section 7 which is 100m long). The fire would be unlikely to spread outside of these areas as the rest of the jetty deck is now concrete and the piles are in isolated lateral pairs, effectively removing the fire path along the length of the Jetty. In addition, Fire Management Plans are in place to cover the Jetty in event of a fire. A total loss of the timber sections would attract a replacement value of approximately \$1.8m per 100m. This equates to approximately \$2.7m for the Section 1 and \$1.8m for section 7. The inclusions for fire, debris, professional fees and additional reinstatement costs applied at the same rate as LGIS would lift costs to \$3.5m for Section 1 and \$2.3m for Section 7.

In relation to structural damage, the most likely scenario covered by the insured risk able to cause significant damage or destruction is impact from water borne vessels. The cost of replacement of the concrete deck sections of the jetty are approximately \$1.4m per 100m. The current construction of the Jetty is structurally independent meaning that only those damaged section/s and perhaps those adjacent would require repair. The worst case probable scenario considered during the review was if a large boat impacted the jetty destroying or significantly damaging 150m of the jetty structure. The total replacement of 150m would cost approximately \$2.1m and applying the same debris, professional fee and reinstatement costs as above would result in total costs in the vicinity of \$2.7m. It is considered that the likelihood of such an event occurring is relatively low. The proposed Jetty Local Law limits boating access to the Jetty which assists to reduce the risk."

The above information is still relevant today plus or minus CPI adjustments for construction costs.

Fire has previously been assessed as a tolerable and manageable risk, given the information documented above.

Seeing as "actions by the sea" are only covered up to a value of \$1,000,000 under the proposal from LGIS, and with a deductible excess of \$250,000, City officers are of the opinion that the proposal is not the most advantageous to the City.

The City's LTFP indicates that by 2029 the Jetty Insurance Reserve will reach a balance of \$1,340,000. As this reserve balance grows, so does the City's ability to adequately cover sections of the Jetty should damage be caused by a number of means, including wave action by the sea. While accepting the risks mentioned above, should the Jetty Insurance Reserve need to be accessed, it would also not jeopardise the financial caps put in place on the other jetty infrastructure within the City boundary.

CONCLUSION

Based on the fact that the option to insure under the LGIS Property Scheme would still provide limited cover for the Busselton Jetty, City officers have continued to maintain the status quo in regards to self-insuring the Busselton Jetty. The Finance Committee is requested to note this report and that officers will continue to test the market via LGIS to continue to look for a commercially viable insurance solution.

OPTIONS

The Committee could request City staff to investigate further insurance options on a regular basis in preparation for the 2020/2021 financial year.

TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION

This report is to be noted by Council at its next meeting on 14 August 2019.

COMMITTEE DECISION AND OFFICER RECOMMENDATION


F1907/035

Moved Councillor J McCallum, seconded Councillor C Tarbotton

That the Council notes this report and information received regarding the potential insurance policy for the Busselton Jetty and continues to "self-insure" the Busselton Jetty as per Council resolution C1306/158.

CARRIED 5/0

6.2 LIST OF PAYMENTS MADE - JUNE 2019

SUBJECT INDEX:	Financial Operations
STRATEGIC OBJECTIVE:	Governance systems, process and practices are responsible, ethical and transparent.
BUSINESS UNIT:	Finance and Corporate Services
ACTIVITY UNIT:	Financial Services
REPORTING OFFICER:	Acting Manager Financial Services - Jeffrey Corker
AUTHORISING OFFICER:	Director Finance and Corporate Services - Tony Nottle
VOTING REQUIREMENT:	Simple Majority
ATTACHMENTS:	Attachment A List of Payments Made - June 2019 

PRÉCIS

This report provides details of payments made from the City's bank accounts for the month of June 2019, for noting by the Council and recording in the Council Minutes.

BACKGROUND

The Local Government (Financial Management) Regulations 1996 (Regulations) require that when the Council has delegated authority to the Chief Executive Officer to make payments from the City's bank accounts, that a list of payments made is prepared each month for presentation to, and noting by, Council.

STATUTORY ENVIRONMENT

Section 6.10 of the *Local Government Act* and more specifically, Regulation 13 of the *Regulations* refer to the requirement for a listing of payments made each month to be presented to the Council.

RELEVANT PLANS AND POLICIES

There are no relevant plans or policies to consider in relation to this matter.

FINANCIAL IMPLICATIONS

There are no financial implications associated with the officer recommendation.

LONG-TERM FINANCIAL PLAN IMPLICATIONS

There are no long term financial plan implications associated with the officer recommendation.

STRATEGIC COMMUNITY OBJECTIVES

This matter principally aligns with Key Goal Area 6 – 'Leadership' and more specifically Community Objective 6.1 - 'Governance systems, process and practices are responsible, ethical and transparent'.

RISK ASSESSMENT

Not Applicable.

CONSULTATION

Not Applicable.

OFFICER COMMENT

In accordance with regular custom, the list of payments made for the month of June 2019 is presented for information.

CONCLUSION

The list of payments made for the month of June 2019 is presented for information.

OPTIONS

Not Applicable.

TIMELINE FOR IMPLEMENTATION OF OFFICER RECOMMENDATION

Not Applicable.

COMMITTEE DECISION AND OFFICER RECOMMENDATION

F1907/036 Moved Councillor P Carter, seconded Councillor J McCallum

That the Committee notes payment of voucher numbers M116986 – M117230, EF065402 – EF066098, T007450 – T007458, and DD003818 – DD003847 together totalling \$9,255,205.29.

CARRIED 5/0

7. GENERAL DISCUSSION ITEMS

7.1 Plant Replacement Program
Presented by Oliver Darby, Director Engineering Works and Services and Mark Wong,
Manager Waster and Fleet Services

8. NEXT MEETING DATE

15 August 2019

9. CLOSURE

The meeting closed at 10.15am.

THESE MINUTES CONSISTING OF PAGES 1 TO 9 WERE CONFIRMED AS A TRUE AND
CORRECT RECORD ON THURSDAY, 15 AUGUST 2019.
DATE: _____ PRESIDING MEMBER: _____